



U.S. Senator Maria Cantwell



U.S. Senator Charles Schumer

Addressing the Challenges of Affordable Housing & Homelessness: The Housing Tax Credit

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Introduction

The United States and New York State face an affordable housing and homelessness crisis. There are nearly four million extremely low-income Americans who lack access to an affordable housing option in this country. Rising rents and a dwindling supply of affordable rentals continue to put people at risk, especially in high-cost locations like New York. Half a million people are homeless in this country on any given night. New York's homeless population represents 16% of the country's or 88,250 people. The homelessness situation in New York continues to worsen, partially due an undersupply of approximately 602,000 affordable housing units. Between 2007 and 2015, New York's total homelessness jumped by 41 percent or 25,649 people.

The Low-Income Housing Tax Credit, which Senators Schumer and Cantwell have championed, is an important tool that drives private sector investment in affordable housing for families and the homeless. However, as this report demonstrates, the demand for this program far outstrips the need. That is why Senators Schumer and Cantwell, alongside a coalition of over 1,300 organizations, will be proposing a 50% increase in resources for this program, enough to build another 400,000 affordable homes over the next 10 years.

Affordable Housing Crisis

United States

Across the country, 11 million renter households, or one in four renters, spend more than half of their monthly income on rent. More than half of renters spend more than 30% of their income on rent. Nationwide, there are 11.2 million extremely low-income (ELI) renters competing for only 7.3 million affordable units. The number of households spending a majority of their income on rent is only projected to grow.

Federal housing assistance, including programs like federal rental assistance, only meet a small portion of this need – currently serving only five million households. Three out of four households that are eligible for rental assistance do not receive it due to scarce resources. The Low-Income Housing Tax Credit (LIHTC) serves a critical role as the country's foremost tool to incent private sector investment in affordable housing. Every year, this tax credit finances 100,000 affordable rental units nationwide. Despite the nearly three million homes developed or preserved with the LIHTC since its creation in 1986, the number of affordable housing units has “stagnated over the past decade” according to the Harvard Joint Center on Housing Studies.

Housing Gap for Extremely Low-Income (ELI) families

- According to the Urban Institute, across the country there is a housing supply gap of 3.9 million for ELI families who do not have access to affordable housing.
- In New York State, there is a supply shortage of 602,725 affordable housing units.

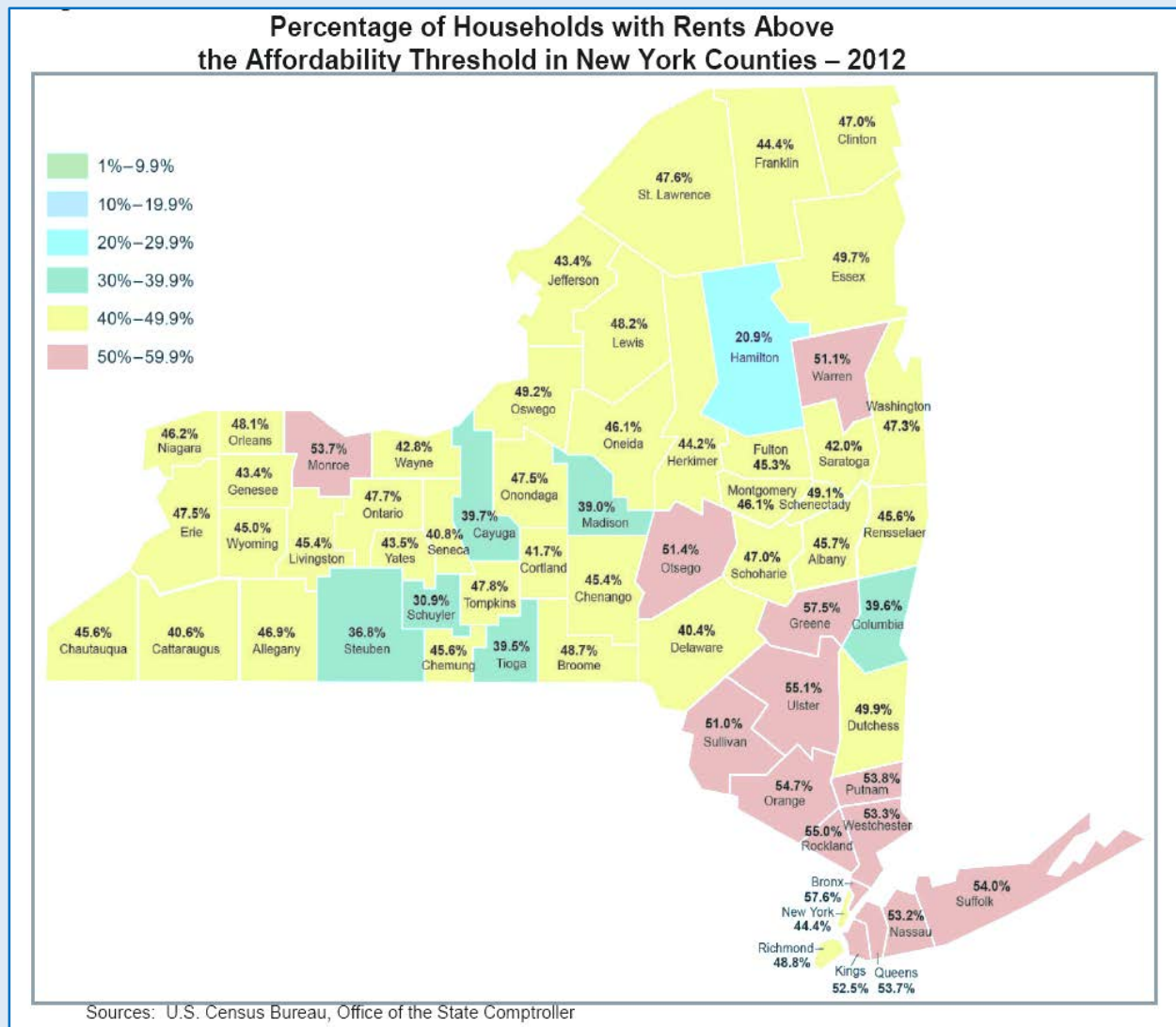
Gap in affordable units available for households in New York:

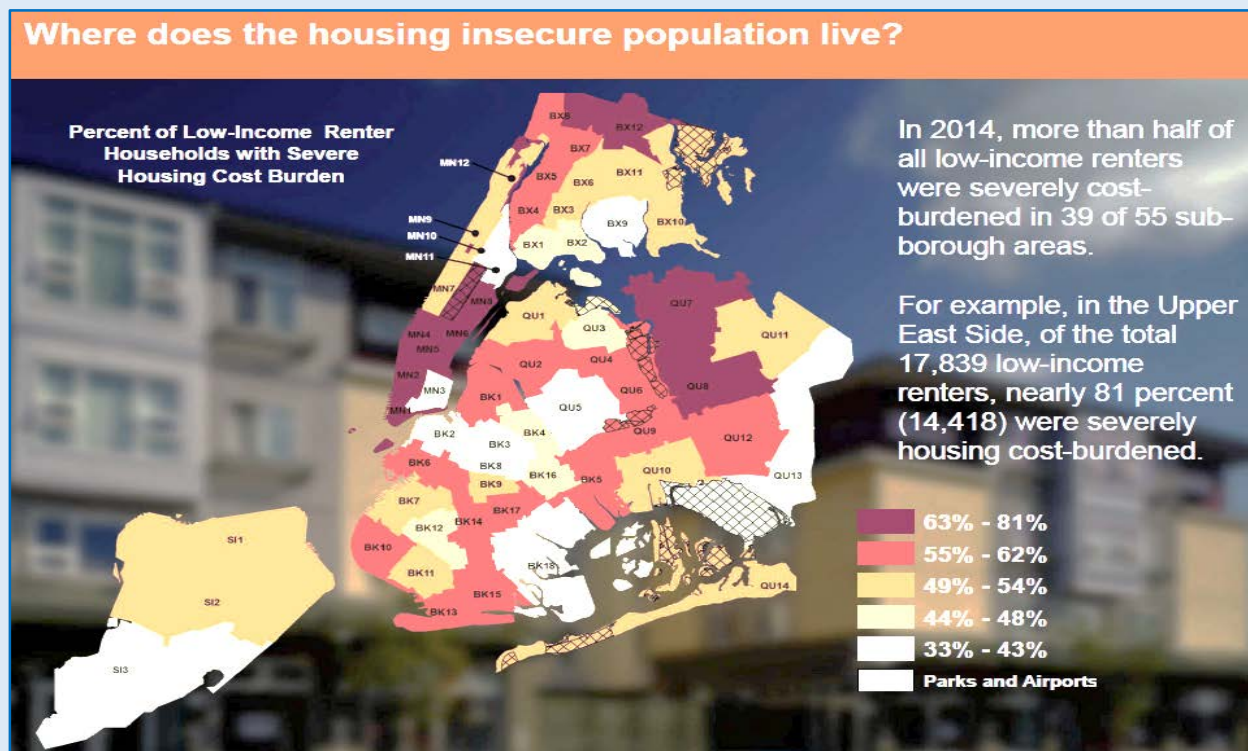
- Erie County - 30,155
- Monroe - 27,488
- Onondaga - 14,895
- Westchester - 25,663
- Suffolk - 23,324
- Kings County – 53,202 units
- Queens County – 90,041 units
- Bronx County – 100,861 units
- Richmond County – 10,250 units
- New York City – 78,172 units

New York State

According to the Urban Institute, in New York State there are 871,841 ELI households competing for 269,115 affordable housing units -a 602,725 housing supply gap. According to New York State Comptroller's Office, more than 3 million households in the New York paid housing costs that were at or above the affordability threshold of 30 percent of household income. Within that group, more than 1.5 million households paid half or more of their income in housing costs.

Clearly, affordability is a significant problem for lower-income households. In New York, from 2000 to 2012, median household incomes for homeowners declined by 1.6 percent, while median household income for renters declined more sharply, by 7.1 percent in real terms. Median housing costs increased over this period for both rental households (by 18.6 percent) and owner households (by 9.9 percent) in inflation-adjusted terms.





Homelessness in the U.S. and New York State

Homeless Population

The Department of Housing and Urban Development's (HUD) January, 2015, point-in-time homelessness count identified 564,708 individuals experiencing homelessness across the United States. Approximately 31% of these individuals lacked any form of appropriate shelter or transitional housing. Of this group, around 36% were people in families with children (206,286 individuals).

Homelessness: New York State

According to HUD's January, 2015, point-in-time homelessness count New York's homeless population represents 17% of the country's or 88,250 people. About 4,000 were unsheltered.

There is evidence that the homeless population has been increasing in New York State in recent years, especially in New York City. Between 2007 and 2015, homelessness increased in 18 states and the District of Columbia. New York had the largest increase, 41 percent or 25,649 more people. Between 2014 and 2015, homelessness increased in New York by 9.5% or 7,660 people. This homeless population faces a diverse range of challenges. Of the homeless households in New York, 15,361 are households with children, 2,626 are unaccompanied youth, 1,099 are victims of domestic violence, and 2,399 are veterans.

Homelessness in New York City is of particular concern. 75,323 people or 14% of the country's homeless population is located in New York City. Between 2014 and 2015, homelessness in New York City rose 11%,

or 7,513 more people. The same HUD study found that of the homeless population in New York City, over 67,000 were in emergency shelters and over 3,000 were unsheltered. Of the unsheltered, 1,685 were severely mentally ill, 185 were unaccompanied youth and 59 were veterans.

The homeless populations in upstate New York are also a major concern:

- **Albany:** 597 homeless individuals
- **Syracuse:** 821 homeless individuals
- **Buffalo/Niagara:** 919 homeless individuals
- **Nassau/Suffolk:** 3,861 homeless individuals

New York City's Affordable Housing Plan

This year New York City, under the leadership of Mayor Bill De Blasio, has set an ambitious goal of creating or preserving 200,000 affordable housing units over 10 years. So far the City has built 14,000 new units and preserved 26,000 units. Many of these units were able to leverage LIHTCs.

Impact of the Low-Income Housing Tax Credit (LIHTC)

The Low-Income Housing Tax Credit (**LIHTC**) program was created 30 years ago by the Tax Reform Act of 1986, and is one of the federal government's primary tools for encouraging the development and rehabilitation of affordable rental housing. These federal housing tax credits are awarded to developers of qualified rental projects via a competitive application process administered by state housing finance authorities.

The process of allocating, awarding, and claiming the LIHTC begins at the federal level with each state receiving an annual LIHTC allocation in accordance with federal law. LIHTCs are allocated to each state according to their population, with states receiving \$2.35 per person in LIHTC allocation in 2016. The administration of the tax credit program is typically carried out by the state's **Housing Finance Agency (HFA)**. State housing agencies then allocate credits to developers of rental housing according to federally required, but state created, allocation plans. In 2013, these state HFAs typically received applications requesting two to three times their available Housing Credit allocations, demonstrating the robust demand and need for expanding this program.

Schumer and Cantwell Secured Permanent 9% Floor to LIHTC

In 2015, Senator Cantwell's legislation making the 9% credit rate floor permanent was signed into law. This ended an era where fluctuating rates made financing for LIHTC projects uncertain.

Fluctuating rates for the Low-Income Housing Tax Credit have long created problems administering the credit. This, combined with low federal borrowing rates, translated into low annual LIHTC credit rates, reducing equity and discouraging investment. By securing a permanent 9% rate, Senator Cantwell's legislation fixed this problem.

LIHTC's Benefits: United States and New York State

United States

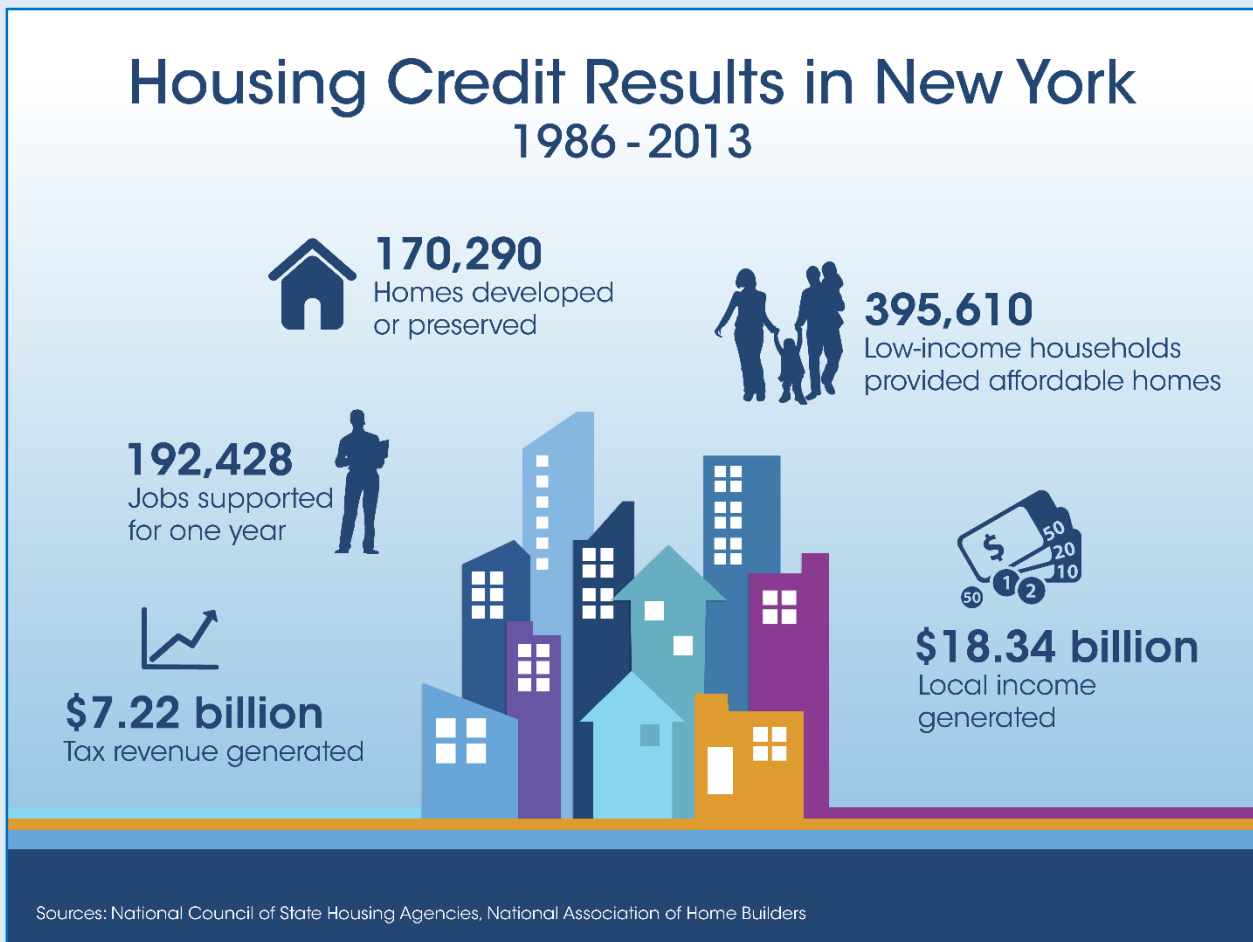
Across the United States, the Low-Income Housing Tax Credit (LIHTC) has been responsible for financing the development of nearly **2.9 million rental homes**. Between 1986 and 2013, more than 13.3 million people have lived in homes that have been financed by the LIHTC.

In addition, the LIHTC program helps support approximately 192,000 jobs each year in New York State. Most of these jobs are in the construction sector, with the remaining spread among manufacturing, transportation, and business service industries. In its history, the credit supported an average of 192,000 jobs a year and is responsible for over \$18.34 billion in local income and \$7.2 billion in tax revenue.

Approximately 60% of households that the LIHTC serves have a household income of less than \$20,000, with the median household income set at \$17,066. Nearly half (46%) of those served by the LIHTC have incomes 30% or less of the **median household income (MHI)**, or are considered **extremely-low income** households. Little more than one-third (35%) of households have incomes between 30% and 50% of MHI, or are considered **very-low income** households.

New York State

Since its creation in 1986, the Low-Income Housing Tax Credit has helped develop or preserve over 170,290 homes in New York, providing affordable housing to 395,610 households in New York.



In Focus: LIHTC in New York State: 1986-2013

Region	ESTIMATED PROPERTIES DEVELOPED OR PRESERVED
Buffalo	6,700
Syracuse	4,800
Albany	3,900
Rochester	9,800
Long Island	8,843
New York City	122,000

The Path Forward: Expanding and Reforming LIHTC

The Low-Income Housing Tax Credit (LIHTC) is the federal government's primary policy tool for leveraging private investment in affordable housing, helping finance the development of 100,000 affordable homes nationwide each year, and has leveraged over \$100 billion in private capital since its creation. However, due to increased demand, in 2013, state housing finance agencies across the country received applications for three times the number of LIHTCs they had available to allocate, leaving many worthy affordable housing projects unfunded. Senator Cantwell is developing legislation to expand and improve the LIHTC, including the following provisions:

PROPOSAL: Expand the annual LIHTC allocation by 50 percent

Senators Schumer and Cantwell will be proposing a 50 percent increase in the annual amount of 9 percent credits available to states, allowing the creation or preservation of an additional 400,000 affordable rental units over the next 10 years. This proposal has been endorsed in the Bipartisan Policy Center's Housing Commission report: "Housing America's Future," as well as by over 1300 groups through the A.C.T.I.O.N. Campaign.

In the past ten years, the 9 percent credit funded over 28,700 affordable housing units in New York State.

Quick Facts

Assuming New York's population stays about the same, his proposal would allow New York to develop about 118,000 new affordable housing units using the LIHTC over the next 10 years - 14,000 more units than would have been created under current law.

PROPOSAL: Promote broader income mixing in LIHTC projects

The LIHTC encourages states to give preference to developments that set aside units affordable to the lowest-income populations, including the homeless, but these projects are the most difficult to make financially feasible, especially in high-cost markets like Seattle. Senator Cantwell will be proposing reforms to the LIHTC's income limitation formulas to promote greater income mixing, allowing developments to maintain financial feasibility, while providing a deeper level of affordability.

PROPOSAL: Allow states more flexibility in financing projects targeting homeless individuals or extremely low-income families

Under current law, certain areas and developments are eligible to receive up to a 30 percent basis boost (resulting in more housing credit equity) if the state housing credit allocating agency determines the boost is needed to make development financially feasible. Senator Cantwell will be proposing that state housing credit allocating agencies be allowed to provide up to a 50 percent basis boost for properties targeting extremely-low income or homeless families and individuals, allowing these projects to achieve greater financial feasibility and eliminate the need for debt financing.

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